ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
September 1989

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NATURAL DISASTERS WILL GENERATE SOME INFLATION AND ECONOMIC GROWTH

Following a third quarter of strong consumer activity, moderate economic growth, and modest inflation, the economy entered the last quarter with export activity definitely losing steam and capital spending beginning to slow. Also, housing activity has not responded to the modest interest rate declines that have developed in recent weeks. As a result, some economists once again are suggesting that the next recession is just around the corner.

Certainly, consumer spending cannot sustain its vigorous third quarter growth, especially as inflation has reappeared. Also, summer auto sales were borrowed from the fourth quarter. As a result, sales are falling sharply behind production in autos and trucks during the fall. Some production curtailments almost certainly should surface by the winter. By that time, however, some moderation in the dollar's value should reignite export growth, while a sluggish fourth quarter should begin to slow import activity. Housing finally should respond to reduced interest rates and rising rental rates that a falling vacancy rate in apartments should begin to generate. While capital spending will be sluggish next year, improved technology for information and communications equipment may begin generating increased activity in that portion of investment activity by the second half of next year. Assuming payrolls will grow modestly early in the year, enough purchasing power should be generated to insure modest consumption growth through the year. Therefore, slow economic growth early in the year should gradually give way to more robust activity later in the year.

Of course, any pick-up in activity could risk higher inflationary pressures. Wages already are rising slightly and a hike in the social security tax will add to the hourly costs of wage compensation. Therefore, renewed Federal Reserve restraint late next year to prevent the inflation rate from going sharply above 5% might again create slow or no growth early in 1991. Thus, the economy is in for a bumpy ride, but the recession still appears to be more than a year away.

However, two natural events have created further distortions in economic statistics. Hurricane Hugo may have destroyed more than $5 billion of housing, highway, and productive capital. Some saw mills and an aluminum smelter were damaged, more than a billion dollars of timber was blown to the ground, and the damage and power loss was so extensive that more than 80,000 people applied for unemployment insurance

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in the Hugo area the week following the storm. Even adding the overtime payrolls of more than 5000 utility workers who converged on South Carolina from other companies throughout the southeast, nearly a quarter biliion dollars in lost wages will occur before production facilities once again are operational.

While more lives were lost and more damage was inflicted in the San Francisco earthquake, the loss of productive activity was much smaller than in South and North Carolina. Damaged public infrastructure, homes, and other real estate may generate losses in excess of $7 billion. Combined, the two natural disasters reduced the nation's wealth by more than a dozen billion dollars.

As the GNP accounts assume that housing capital is rented to homeowners by themselves and therefore generates an imputed rental value, much of the damage will reduce the production possibilities curve of the United States. In short, our ability to supply housing services will be reduced by the return on as much as $10 billion. This will be shown as a sharp drop in net rental income in the personal income accounts. The result will be a significant drop in disposable income during September and October, when the two events occurred.

However, GNP is not affected significantly by the loss of housing capital, because the destroyed property is treated as an additional depreciation. Of course, all the highway destruction has no impact upon the GNP accounts, because, as government goods, they were assumed to have been consumed when they were created. Clearly, GNP is reduced by the lost production in lodging, restaurant, manufacturing, and other activities that the two events created. However, if that cancelled vacation in San Francisco is taken somewhere else, only regional economic distortions will prevail.

Thus, while the loss of imputed rental income is substantial, possibly as much as $4 billion in the third quarter and $6 billion during the fall (which needs to be annualized), the loss of GNP should be only $1-2 billion annualized because of the lost payrolls, and nearly all of that probably occurred in the Carolinas during the fall. Of course, the loss of wealth will have some adverse impact upon consumer and investor spending and upon government initiatives. (South Carolina probably will have few new government initiatives in the new year). However, the substantial transfer of income to the impacted areas through insurance (about half the reinsurance is from foreign sources) and federal government programs will more than offset these negative impacts. In fact, I am assuming that public construction will be $4 billion higher at annual rates in the fall and through the first half of 1990 to replace damaged infrastructure. The utilities alone will be spending nearly $600 million to replace damaged facilities, which will add to investment expenditures. Housing will soar as destroyed property will be replaced. Indeed, the natural disasters probably will add nearly $4 billion annualized to fourth quarter activity and an additional $6 billion early in 1990.

What is not yet fully appreciated is the fact that the natural disasters have restricted supply and increased aggregate demand through insurance and government transfers. Although the magnitudes are not great, some increasing inflationary pressures should be expected. Certainly, building materials should rise in price. A price decline in aluminum was arrested by the incapacitation of a South Carolina smelter. Wages of construction workers probably will increase in the impacted areas. If reinsurance capacity has been impaired by the size of these insurance claims, as some people claim, insurance rates also will rise. Thus, inflation could be a few tenths of a percent higher because of the natural calamities. Of course, this also means that interest rates would be higher than they otherwise would have been. Thus, a slight spurt in rates during the next few months should not be a total surprise.

However, the macroeconomic implications of these disasters can be overstated. Except for some of our monthly patterns during the fall and winter months, Hugo and the San Francisco earthquake have not be significant contributors to our estimates of economic activity for next year.

Quarterly Profile of GNP

	1989-2	1989-3	1989-4	1990-1	1990-2	1990-3	1989 Annual	1990 Annual
Real:	2.7	2.8	1.9	1.7	1.0	3.1	2.9	1.7
Price:	4.6	2.9	4.2	4.5	4.7	4.4	3.9	4.3
Nominal:	7.3	5.8	6.3	6.3	5.9	7.7	7.0	6.1

Monthly Statistical Highlights

	Sept 1989	Oct 1989	Nov. 1989
Payroll Employment		+143,000	+171,000
Index of Hours Worked		+0.1%	+0.1%
Household Employment		+194,000	+149,000
Civilian Unemployment Rate		5.3%	5.3%
Personal Income	+0.0%	+0.3%	+1.0%
Savings Rate	5.1%	5.1%	5.6%
Personal Consumption	+0.3%	+0.3%	+0.6%
Retail Sales		-0.6%	+0.7%
Auto Sales		9.6*	9.7*
Housing Starts		+6.2%	+0.4%
Housing Permits		-1.8%	-2.0%
Construction Expenditures	-1.8%	+0.9%	+1.4%
Business Inventories	+0.5%	+0.4%	+0.5%
Orders for Durable Goods		-1.9%	+0.3%
Orders - Nondefense Capital Goods		+2.1%	+1.3%
Industrial Production		-0.1%	+0.3%
CPI		+0.5%	+0.3%
PPI		+0.2%	+0.3%
Consumption Deflator	+0.3%	+0.4%	+0.3%
Leading Indicators	-0.1%	-0.3%	-0.1%
Currency Index		-2.2%	-0.8%
Equity Index		-0.8%	-2.1%
Real GNP (annual rate)	+1.5%	+0.6%	+2.3%
M1 (annual rate)		+12.5%	+5.6%
M2 (annual rate)		+7.4%	+5.6%

* auto sales in millions

FINANCIAL MARKETS

Another sharp decline in equity values on October 13 caused the Federal Reserve to provide liquidity. As a result, short-term interest rates fell while investors sought quality, causing long-term government bond yields also to fall. Although the stock market decline appears to have been caused by a flaw in the trading mechanism whenever a stock has trading halted because of order imbalances with a significant price implication, some economists have begun to seek signs that the market tumble is indicating economic weakness. A surge in initial unemployment claims, although related to production disruptions from Hugo, and weakness in durable goods orders provided more than sufficient ammunition to argue that a recession may be approaching. As a result, bond prices have remained firm.

However, a significant supply of long-term bonds by the government for treasury and for thrift bail-out purposes should slow the rally. Also, as mentioned above, the natural disasters will add to inflationary pressures, if only by a small amount. Thus, inflation surprises probably will arise during the next two months. This should lead to some rise in interest rates in the fall. By the winter, however, some slowing in economic activity could lead to a decline in interest rates as corporate and household credit market pressures ease. Assuming no substantial adverse impact from foreign investors, interest rates should reach their lowest levels early in the year. Then, gradual strengthening in the economy along with gradual increases in inflationary pressures should lead to Federal Reserve restraint late next year. The result will be a return to rising long-term interest rates before year-end.

It should be noted that the yield curve will steepen significantly during the year. Early in the year, short-term rates should fall faster than long-term rates. Late in the year, inflationary fears should cause long-term rates to drift upward even as short-term rates remain low.

EQUITY MARKETS -Apparently, a failure to maintain trading in UAL following a disappointing takeover announcement led to price instability in the stock market on October 13. Although trading was halted in UAL, the index futures which included UAL as one of its components continued to trade. As a result, traders quickly recognized that the current prices for the index would fall sharply when UAL again resumed trading. Therefore, these traders sold futures contracts, causing those contracts to fall to a deficit relative to the quoted index. This gap caused program traders to buy the futures and sell the stocks. Of course, they could not sell UAL, but they sold a representative sample of the other stocks. As a result, the stock market fell sharply.

Normally, such program trading would increase the futures and eliminate the gap between prices in the two markets. However, with UAL halted, any attempt to raise future prices relative to spot prices for the indices brought more selling of futures. This pattern occurred a week later when another UAL announcement led to temporary suspension of trading in the stock. When trading resumed, the arbitrage opportunities disappeared and the market rallied strongly.

Obviously, the market overseers need to eliminate this discrepancy in future and spot prices for indices when trading is halted with significant price implications. Until adjustments are made, further price volatility can be expected.

Of course, the other side of this distortion is the fact that economic fundamentals were not causing a rapid deterioration in equity values. Unfortunately, as the economy slows, economic fundamentals will surface. Therefore, the stock market should lose value during the fall. As no full recession is anticipated, the correction should not be substantial.

Some consumer and building material stocks should buck the downward trend. By spring, a rebound in technology shipments should also be reflected in the prices of their equities. A stock market rebound than could be expected next summer.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	108101	108101	128.7	128.7	117113	117113	5.3	5.3	9.61	9.61
May	108310	108310	127.6	127.6	117215	117215	5.2	5.2	9.60	9.60
June	108560	108607	128.0	128.1	117541	117541	5.3	5.3	9.62	9.62
July	108793	108767	128.4	129.2	117743	117459	5.2	5.2	9.68	9.69
August	108884	108855	128.7	128.4	117929	117597	5.2	5.2	9.72	9.68
September	109125	109064	129.0	128.6	118115	117456	5.1	5.3	9.77	9.73
October	109316	109207*	129.1	128.7*	118328	117650*	5.1	5.3*	9.81	9.76*
November	109506	109378	129.3	128.8	118524	117799	5.1	5.3	9.85	9.81
December	109698	109555	129.5	129.0	118720	117975	5.1	5.4	9.88	9.85
January 1990	109843	109694	129.7	129.0	118896	118143	5.2	5.4	9.94	9.88
February	110015	109807	129.6	129.1	119046	118280	5.2	5.4	9.98	9.92
March	110187	109910	129.7	129.3	119195	118402	5.1	5.5	10.02	9.96
April	110326	110121	130.0	129.5	119353	118645	5.1	5.4	10.06	10.00
May	110469	110314	130.2	129.7	119517	118860	5.1	5.4	10.11	10.03
June	110615	110456	130.5	129.9	119668	119049	5.2	5.4	10.16	10.07
July	110736	110646	130.4	130.1	119814	119199	5.2	5.4	10.20	10.11
August	110881	110794	130.5	130.2	119966	119348	5.2	5.5	10.24	10.16
September	111026	110958	130.7	130.4	120118	119532	5.2	5.5	10.29	10.21

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	4.387	4.387	2.601	2.601	183.3	184.3	3.718	3.719	3.535	3.534
May	4.395	4.396	2.604	2.604	203.5	199.4	3.747	3.747	3.543	3.548
June	4.407	4.418	2.617	2.622	224.1	218.6	3.769	3.777	3.545	3.559
July	4.435	4.447	2.640	2.645	225.0	222.4	3.795	3.802	3.570	3.580
August	4.458	4.466	2.651	2.654	226.3	207.4	3.813	3.819	3.587	3.612
September	4.481	4.466*	2.662	2.672*	224.1	193.1*	3.831	3.815*	3.607	3.622*
October	4.503	4.483	2.680	2.683	234.6	195.5	3.850	3.828	3.615	3.633
November	4.527	4.529	2.698	2.700	232.7	216.6	3.871	3.870	3.638	3.653
December	4.551	4.554	2.716	2.716	230.8	218.2	3.892	3.890	3.661	3.672
January 1990	4.575	4.572	2.730	2.726	232.4	212.4	3.911	3.902	3.679	3.690
February	4.602	4.595	2.745	2.740	234.0	212.5	3.932	3.923	3.698	3.711
March	4.629	4.621	2.760	2.757	233.2	213.1	3.953	3.946	3.720	3.733
April	4.649	4.648	2.776	2.773	223.4	218.6	3.970	3.967	3.747	3.748
May	4.672	4.671	2.794	2.787	216.0	221.3	3.983	3.985	3.767	3.764
June	4.695	4.698	2.812	2.804	224.7	228.3	3.996	4.008	3.771	3.783
July	4.710	4.724	2.825	2.821	230.3	223.6	4.020	4.029	3.790	3.805
August	4.729	4.764	2.838	2.839	231.7	236.7	4.045	4.064	3.813	3.827
September	4.749	4.796	2.851	2.858	233.1	245.5	4.070	4.091	3.837	3.846

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	3433.2	3432.1	477.3	477.4	1113.2	1112.9	1841.7	1841.8	2652.5	2652.4
May	3440.2	3445.0	467.7	466.5	1118.1	1126.7	1854.4	1851.9	2647.8	2651.5
June	3441.4	3455.4	466.0	469.1	1118.5	1125.0	1856.9	1861.3	2644.3	2657.1
July	3468.2	3476.5	468.5	472.5	1126.4	1129.8	1873.3	1874.3	2657.6	2668.1
August	3483.4	3508.3	470.1	495.4	1128.7	1126.1	1884.6	1886.8	2663.2	2694.5
September	3495.9	3518.3*	468.9	488.4*	1131.1	1132.0*	1895.9	1897.9*	2666.6	2694.3*
October	3509.8	3528.5	465.0	478.2	1136.5	1141.0	1908.3	1909.3	2667.0	2691.3
November	3531.3	3549.3	467.0	478.4	1142.3	1150.2	1922.0	1920.7	2671.2	2698.6
December	3552.8	3567.6	469.0	480.4	1148.1	1155.6	1935.7	1931.6	2675.3	2704.3
January 1990	3571.6	3585.1	469.7	481.6	1154.1	1160.2	1947.8	1943.3	2679.4	2708.2
February	3590.1	3605.6	471.2	484.6	1159.3	1165.9	1959.6	1955.1	2685.2	2713.5
March	3608.8	3627.6	472.9	489.4	1164.5	1170.9	1971.4	1967.3	2691.1	2720.1
April	3631.7	3642.8	477.2	487.1	1170.2	1176.3	1984.3	1979.4	2698.1	2720.1
May	3653.2	3657.5	478.6	488.5	1176.4	1177.7	1998.2	1991.3	2702.1	2720.8
June	3676.0	3676.8	481.3	488.2	1182.6	1185.2	2012.1	2003.4	2706.9	2724.7
July	3685.4	3698.2	473.9	492.2	1187.3	1190.4	2024.2	2015.6	2703.9	2731.4
August	3702.1	3719.8	473.7	497.6	1192.4	1195.0	2036.0	2027.2	2708.2	2737.2
September	3722.1	3737.5	477.0	498.7	1197.3	1199.4	2047.8	2039.4	2712.9	2738.8

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	141.07	140.94	22.41	22.41	10.8	10.8	87.30	87.12	31.36	31.41
May	142.10	142.54	22.97	22.97	10.2	10.1	88.20	88.40	30.93	31.17
June	142.17	142.50	22.79	22.85	10.0	9.9	88.66	88.48	30.72	31.17
July	142.49	143.56	22.84	22.80	10.0	10.2	88.83	88.90	30.82	31.85
August	142.85	144.51	22.70	23.16	10.6	11.5	89.01	88.78	31.14	32.56
September	142.91	145.21	22.71	23.22	10.6	10.6	89.20	89.17	31.00	32.82
October	142.88	144.30*	22.80	23.33*	9.4	9.6*	89.62	89.88*	30.46	31.09*
November	143.57	145.27	22.88	23.44	9.7	9.7	90.08	90.60	30.61	31.23
December	144.26	145.93	22.96	23.45	9.8	9.8	90.54	91.03	30.76	31.45
January 1990	144.81	146.43	22.90	23.58	9.7	9.7	91.01	91.39	30.90	31.46
February	145.39	147.22	22.98	23.44	9.8	9.9	91.42	91.84	30.99	31.94
March	145.99	148.16	23.04	23.45	9.9	10.2	91.83	92.23	31.12	32.48
April	146.94	148.33	23.00	23.46	10.0	10.0	92.28	92.66	31.66	32.21
May	147.59	148.77	23.07	23.58	10.0	10.0	92.77	92.94	31.75	32.25
June	148.39	149.15	23.14	23.63	10.2	9.9	93.26	93.36	31.99	32.16
July	147.91	150.02	23.02	23.74	9.7	10.1	93.63	93.77	31.26	32.51
August	148.29	151.00	23.08	23.89	9.6	10.3	94.03	94.13	31.18	32.98
September	149.05	151.47	23.15	23.85	9.7	10.4	94.42	94.48	31.48	33.14

Fore. = August forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	1.343	1.343	1.029	1.029	1.334	1.334	415.8	414.8	345.0	346.5
May	1.309	1.308	0.977	0.977	1.347	1.347	418.2	420.4	346.2	351.8
June	1.400	1.406	0.975	0.972	1.300	1.308	414.7	416.9	342.7	349.0
July	1.404	1.420	0.989	1.026	1.305	1.281	419.5	414.5	345.0	346.0
August	1.422	1.332	1.005	0.992	1.315	1.328	421.4	421.8	344.8	348.3
September	1.439	1.263	1.021	0.971	1.332	1.296	423.8	414.4*	344.8	340.8*
October	1.445	1.341*	1.025	1.005*	1.329	1.273*	426.5	418.1	346.2	342.4
November	1.461	1.346	1.021	1.002	1.345	1.247	429.8	423.9	348.6	346.0
December	1.456	1.373	1.029	1.022	1.347	1.255	433.3	428.9	350.9	348.4
January 1990	1.443	1.351	1.025	1.003	1.328	1.244	434.5	428.8	350.4	346.9
February	1.461	1.374	1.028	1.016	1.343	1.283	436.2	428.9	349.8	345.9
March	1.478	1.380	1.031	1.022	1.351	1.277	438.1	428.1	349.6	344.1
April	1.485	1.380	1.033	1.013	1.366	1.293	440.1	430.3	350.1	344.5
May	1.481	1.407	1.038	1.033	1.374	1.302	442.4	432.1	350.6	344.8
June	1.477	1.422	1.036	1.048	1.365	1.317	445.3	430.4	351.7	342.4
July	1.466	1.427	1.031	1.046	1.355	1.313	448.0	436.9	352.5	346.2
August	1.474	1.438	1.025	1.050	1.366	1.331	449.3	439.6	352.1	347.0
September	1.482	1.456	1.020	1.062	1.378	1.357	451.4	442.3	352.4	347.4

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	131.4	131.8	80.4	79.4	204.0	203.7
May	133.3	133.6	84.7	85.9	200.2	200.9
June	136.1	134.8	80.6	83.5	197.9	198.6
July	137.0	133.8	83.0	81.7	199.5	199.0
August	136.6	136.9	83.9	86.0	200.9	198.9
September	136.5	135.2*	84.8	83.7*	202.5	195.5*
October	137.1	137.3	83.8	83.8	205.6	197.0
November	137.7	139.5	83.3	86.5	208.8	197.9
December	138.4	138.2	82.9	88.3	212.0	202.4
January 1990	138.0	138.3	83.3	89.3	213.2	201.2
February	138.8	138.4	83.7	87.8	213.7	202.7
March	139.6	138.7	84.2	86.2	214.3	203.2
April	140.0	139.2	84.0	86.1	216.1	205.0
May	139.6	139.6	84.2	86.3	218.6	206.2
June	140.2	139.5	84.1	86.5	221.0	208.4
July	140.6	139.6	85.2	86.8	222.2	210.5
August	141.6	140.3	85.0	87.5	222.7	211.8
September	142.5	140.8	85.6	88.1	223.3	213.4

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	363.5	363.5	129.37	129.37	40.39	40.39	34.60	34.60
May	365.1	365.1	123.68	123.52	37.29	37.29	34.53	34.53
June	366.2	366.5	124.19	125.14	37.39	39.15	34.59	34.76
July	369.3	370.8	125.43	122.03	36.69	41.45	34.82	34.26
August	371.3	371.8	126.17	126.83	36.73	37.16	35.03	36.16
September	373.2	373.6*	125.84	126.68	36.45	35.08	35.24	36.01
October	375.3	375.2	124.76	124.23*	35.64	35.82*	35.06	35.66*
November	377.4	377.0	124.43	124.65	35.24	36.27	34.93	35.78
December	379.5	378.7	125.89	124.74	35.82	36.62	35.12	35.93
January 1990	381.2	380.4	126.14	125.96	35.98	37.43	35.66	35.87
February	383.2	381.8	127.35	124.15	36.27	36.27	35.87	36.22
March	385.1	383.4	127.53	124.36	36.41	36.65	35.94	36.54
April	386.0	385.0	128.56	124.95	36.98	36.85	36.45	36.80
May	386.9	386.5	128.85	125.23	37.23	36.77	36.51	36.81
June	387.8	387.8	129.18	125.45	37.64	36.82	36.69	36.84
July	388.6	389.1	130.14	125.33	37.83	36.56	36.81	36.83
August	389.6	390.5	130.42	126.14	37.95	36.93	36.95	36.92
September	390.5	392.0	129.64	126.01	37.82	36.83	36.90	36.94

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	771.3	771.3	8.63	8.63	141.6	141.7	84.1	84.2
May	778.1	778.1	8.70	8.70	141.4	141.6	83.8	84.0
June	780.8	780.8	9.20	9.23	141.1	142.0	83.5	84.0
July	783.3	787.6	8.86	8.19	141.4	142.0	83.5	83.8
August	785.1	789.9	8.94	8.94	141.8	142.4	83.6	83.8
September	787.0	793.8*	9.02	9.32	142.2	142.3	83.7	83.6
October	792.6	797.2	9.06	8.95*	142.7	142.1*	83.8	83.3*
November	798.0	801.1	9.11	8.84	143.2	142.5	83.9	83.4
December	803.4	804.7	9.16	8.93	143.6	142.9	84.0	83.5
January 1990	806.5	809.3	9.12	9.00	143.1	143.3	83.3	83.6
February	809.5	811.2	9.15	9.06	142.5	143.4	82.7	83.5
March	813.6	814.8	9.19	9.09	142.5	143.1	82.4	83.1
April	817.9	818.2	9.12	9.05	143.0	143.3	82.5	83.1
May	822.2	821.6	9.07	9.10	143.6	143.7	82.6	83.2
June	825.4	824.4	9.08	9.11	144.1	144.0	82.6	83.2
July	825.8	827.2	9.16	8.84	143.3	144.3	82.2	83.2
August	826.1	830.0	9.30	9.11	142.8	144.4	82.2	83.0
September	826.5	833.3	9.45	9.22	142.9	144.6	82.1	83.0

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are expectations.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	123.3	123.3	113.1	113.1	111.8	111.7	125.5	125.5
May	124.0	124.0	114.1	114.1	112.3	112.4	126.1	125.9
June	124.2	124.2	113.9	114.0	112.2	112.3	126.4	126.2
July	124.7	124.5	113.7	113.5	112.0	112.2	126.7	126.5
August	125.0	124.5	113.5	113.1	112.1	111.7	127.0	126.5
September	125.3	124.7	114.0	114.1	111.6	112.1	127.5	126.9
October	125.8	125.3*	114.3	114.3*	112.6	112.8*	128.0	127.5
November	126.2	125.7	114.6	114.6	112.9	113.0	128.5	127.9
December	126.6	126.1	114.9	114.9	113.3	113.4	129.0	128.3
January 1990	127.0	126.6	115.2	115.4	114.0	114.0	129.4	128.9
February	127.5	127.1	115.5	115.8	114.6	114.5	129.8	129.3
March	128.0	127.6	115.8	116.3	115.2	115.1	130.2	129.8
April	128.5	128.2	116.3	116.7	115.7	115.6	130.7	130.4
May	129.0	128.7	116.8	117.0	116.1	116.0	131.1	130.8
June	129.5	129.2	117.2	117.4	116.5	116.4	131.6	131.3
July	130.1	129.7	117.7	117.8	117.0	116.8	132.0	131.7
August	130.8	130.3	118.2	118.2	117.4	117.3	132.5	132.2
September	131.5	130.8	118.7	118.6	116.5	116.6	133.0	132.8

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	129.4	129.4	111.0	110.9	122.8	122.8	140.0	140.0	120.5	119.7
May	129.9	129.9	110.9	110.7	123.6	123.6	140.4	140.5	120.8	119.5
June	130.1	130.0	111.1	110.9	123.4	123.5	140.8	140.7	121.0	119.5
July	130.5	130.3	111.3	111.2	123.5	123.2	141.3	141.3	121.6	119.8
August	130.8	130.2	111.5	111.5	123.6	122.6	141.8	141.7	122.2	121.1
September	131.1	130.6*	111.8	111.8*	123.8	122.8*	142.4	142.1*	122.9	121.6*
October	131.6	131.1	112.0	112.0	124.2	123.3	143.0	142.6	123.2	122.1
November	132.2	131.5	112.2	112.2	124.7	123.8	143.6	143.0	123.3	122.5
December	132.8	131.9	112.4	112.3	125.2	124.2	144.2	143.5	123.5	123.1
January 1990	133.3	132.4	112.4	112.4	125.6	124.6	144.8	144.1	124.0	123.6
February	133.7	132.9	112.6	112.6	126.0	125.1	145.4	144.7	124.7	124.0
March	134.1	133.4	112.7	112.8	126.5	125.6	146.0	145.3	125.3	124.4
April	134.6	133.9	113.0	113.1	127.1	126.0	146.6	146.0	125.7	124.9
May	135.2	134.4	113.3	113.4	127.6	126.4	147.2	146.6	126.2	125.3
June	135.8	134.9	113.5	113.6	128.0	126.9	147.8	147.2	126.6	125.7
July	136.3	135.4	113.7	113.8	128.4	127.3	148.4	147.8	127.1	126.2
August	136.7	135.9	114.0	114.1	128.7	127.8	149.0	148.4	127.6	126.7
September	137.2	136.5	114.3	114.4	129.1	128.4	149.6	149.0	128.1	127.3

Fore. = August Forecast
C.E. = Current Expectations
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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators	Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	-8.29	-8 29	145.6	5175	5186	4124	4132	-35.3	-34.9
May	-8.83	-10.08	143.8	5197	5200	4121	4130	-18.4	-18.9
June	-8.71	-8.01	143.7	5211	5218	4123	4135	-15.3	-13.6
July	-8.73	-8.24	143.9	5246	5235	4140	4138	-19.9	-10.1
August	-8.45	-10.77	144.4	5273	5256	4152	4155	-20.1	- 3.7
September	-8.93	-9.00*	144.2*	5301	5279	4158	4160	-19.2	- 5.8
October	-8.66	-9.04	143.8	5334	5307	4167	4162	-20.6	-10.3
November	-8.73	-9.15	143.7	5367	5333	4177	4170	-21.4	-14.6
December	-8.81	-8.96	144.1	5399	5361	4185	4178	-23.3	-15.4
January 1990	-8.16	-8.52	144.3	5416	5395	4185	4185	-31.1	-19.1
February	-8.05	-8.43	144.2	5428	5419	4182	4191	-30.2	-20.6
March	-7.95	-8.46	144.1	5441	5441	4179	4192	-27.6	-22.5
April	-8.16	-8.47	144.6	5477	5474	4191	4198	-21.1	-22.2
May	-8.24	-9.65	144.8	5512	5501	4204	4206	-14.9	-23.8
June	-8.36	-8.06	145.0	5547	5529	4215	4211	-16.7	-26.6
July	-8.12	-8.21	145.3	5563	5558	4214	4220	-20.6	-25.3
August	-8.28	-9.23	145.6	5582	5592	4213	4230	-25.3	-24.7
September	-8.36	-8.43	145.4	5602	5623	4212	4234	-29.9	-24.5

	Currency Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	97.24	97.24	165.9	170.3	8.89	9.03	170.34	169.38
May	100.81	100.81	176.2	167.6	8.85	8.83	175.56	175.30
June	103.09	103.09	177.3	180.8	8.46	8.27	180.90	180.76
July	98.43	99.12	178.4	175.5	8.31	8.08	188.43	185.15
August	97.12	100.44	171.7	182.4	8.22	8.12	187.72	192.83
September	95.76	101.87	164.0	178.3	8.13	8.15	185.43	193.02
October	94.43	99.63*	168.5	170.5	8.18	7.96*	185.67	191.43*
November	94.82	98.84	170.4	173.6	8.12	8.12	183.19	187.43
December	95.36	97.63	172.1	177.4	8.15	8.01	180.74	187.08
January 1990	96.25	97.56	164.8	180.1	7.81	7.86	172.25	183.80
February	95.46	95.83	160.1	175.6	7.73	7.73	165.76	180.50
March	94.86	95.14	158.2	167.5	7.68	7.75	159.50	178.95
April	93.26	95.28	165.5	166.4	7.72	7.82	158.77	183.43
May	92.94	95.14	171.2	168.2	7.66	7.85	159.38	180.30
June	92.96	94.43	171.5	171.6	7.70	7.93	163.46	182.76
July	92.15	95.24	167.3	178.3	7.68	8.14	162.53	186.42
August	91.82	95.54	161.6	175.4	7.63	8.22	165.12	188.93
September	91.56	95.42	155.8	173.3	7.69	8.31	167.83	185.56

Fore. = August forecast
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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	289.1	289.0	783.1	783.1	3081.1	3080.8	9.84	9.84	8.65	8.65
May	289.0	289.0	773.3	773.3	3071.8	3072.2	9.81	9.81	8.39	8.39
June	289.6	289.7	770.5	770.3	3087.3	3088.0	9.47	9.53	8.04	7.93
July	290.9	290.4	777.2	777.3	3119.1	3117.6	9.23	9.24	7.89	7.61
August	293.8	290.9	783.2	777.7	3136.1	3136.5	9.11	8.99	7.63	7.74
September	296.7	291.7	787.4	781.8	3153.2	3156.4	8.99	9.02	7.70	7.74
October	298.0	292.4*	790.7	789.5*	3171.6	3175.3*	8.73	8.81*	7.75	7.63
November	299.2	294.0	794.4	793.1	3190.3	3189.8	8.77	8.75	7.79	7.56
December	299.9	295.3	797.8	796.9	3209.0	3205.2	8.70	8.76	7.80	7.59
January 1990	301.8	296.7	800.4	801.0	3223.6	3221.3	8.33	8.43	7.42	7.27
February	303.3	298.2	803.7	803.6	3237.2	3237.4	8.13	8.26	7.38	7.11
March	304.9	299.7	807.0	806.3	3250.9	3250.4	7.94	7.92	7.34	6.93
April	306.5	301.2	813.3	810.1	3272.1	3265.7	7.87	7.88	7.19	6.95
May	307.9	302.4	818.4	811.9	3294.0	3278.8	7.83	7.85	7.15	6.91
June	309.3	303.9	823.5	815.1	3315.8	3295.2	7.80	7.83	7.11	7.04
July	311.0	305.3	828.4	818.3	3331.6	3311.7	7.76	7.86	7.01	7.13
August	312.4	306.8	831.8	820.8	3352.5	3328.3	7.73	7.92	7.00	7.22
September	314.2	308.2	835.1	823.1	3373.3	3344.9	7.79	7.93	7.06	7.27

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	9.79	9.79	7.49	7.49	9.81	9.81	9.94	9.94	11.50	11.50
May	9.57	9.57	7.25	7.25	9.47	9.47	9.59	9.59	11.50	11.50
June	9.20	9.10	7.03	7.02	9.12	9.11	9.32	9.20	11.07	11.07
July	8.99	8.94	6.85	6.96	9.17	8.68	9.35	8.76	10.83	10.98
August	8.95	8.96	6.84	7.06	9.05	8.57	9.26	8.64	10.50	10.50
September	8.90	9.01	6.80	7.26	8.96	8.70	9.15	8.78	10.50	10.50
October	8.90	8.88*	6.81	7.17*	8.70	8.63*	8.91	8.74*	10.50	10.50*
November	8.83	8.95	6.73	7.25	8.76	8.71	8.97	8.76	10.50	10.50
December	8.76	8.93	6.67	7.23	8.68	8.68	8.92	8.74	10.50	10.50
January 1990	8.63	8.76	6.55	7.08	8.26	8.26	8.52	8.38	10.03	10.23
February	8.57	8.65	7.48	7.01	8.08	8.14	8.23	8.22	9.57	10.00
March	8.43	8.72	6.35	7.09	7.88	7.78	8.05	7.91	9.50	9.83
April	8.56	8.81	6.46	7.19	7.79	7.75	7.93	7.90	9.50	9.50
May	8.63	8.84	6.54	7.22	7.85	7.76	7.99	7.91	9.50	9.50
June	8.60	8.93	6.55	7.30	7.84	7.72	7.98	7.86	9.50	9.50
July	8.46	9.02	6.41	7.38	7.71	7.74	7.89	7.87	9.50	9.50
August	8.39	9.14	6.35	7.45	7.75	7.83	7.92	7.95	9.50	9.50
September	8.50	9.22	6.49	7.66	7.82	7.95	7.97	8.12	9.50	9.78

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